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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**PAID UP OIL AND GAS LEASE
(NO SURFACE USE)
City of Everman Lease**

This Oil and Gas Lease (this "Lease") is made on this 24 day of February, 2009, between the City of Everman, a Texas home rule municipality (hereafter called "Lessor," whether one or more), whose address is 212 North Race Street, Everman, Texas 76140, and Thunderbird Oil & Gas, L.L.C., a Texas limited liability company (hereafter called "Lessee"), whose address is 515 Fourth Street, Graham, Texas 76450 (collectively, hereafter called the "Parties").

1. **Grant.** In consideration of a cash bonus in hand paid and other good and other valuable consideration, Lessor grants and leases exclusively unto Lessee all of Lessor's interest in the tracts of land in Tarrant County, Texas, more particularly described in attached Exhibit "A" (the "Land" or the "Leased Premises"), for the sole purpose of drilling and producing oil and gas from the Land "using directional or horizontal drilling methods only" without exploring, drilling, or operating on the surface of the leased premises.

2. **Primary Term.** This Lease, which is a "paid-up" lease requiring no delay rentals, is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities from Lands pooled therewith or this Lease is otherwise maintained in effect pursuant to the provisions hereof. Lessee at Lessee's option may extend the primary term of this Lease for an additional two (2) years, at or prior to the end of the primary term of said Lease by paying the Lessor an additional bonus in an amount equal to the original bonus. If Lessee exercises its option to extend in accordance with this paragraph the primary term shall be deemed to be five (5) years in duration. Provided, however, this option does not obligate the Lessee to extend this Lease beyond its primary term. Provided, further, however, that any such extension must include the entire acreage originally leased herein.

3. **Minerals Covered.** This Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, produced through the borehole only, but this Lease does not cover sand, gravel, uranium, fissionable materials, coal, lignite or any hard minerals or substances of any type which shall be produced from the Land separate and apart from, or independently of, oil, gas or other liquid and gaseous hydrocarbons.

4. **Royalty.**

(a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% (the "Royalty Fraction") of all oil, gas and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(2) To pay to Lessor:

(i) On gas produced from the Land and sold by Lessee or used on or off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the gross proceeds received by Lessee.

(ii) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(iii) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the gross proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition the oil or gas produced or sold from the Land. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

(c) If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the

market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

(d) If Lessee compresses, transports, processes, or treats gas produced from the Land, Lessor's royalty shall not bear any of the costs associated therewith. If a third party that is not an affiliate of Lessee, compresses, transports, processes, or treats gas produced from the Land, Lessor's royalty will bear its proportionate share of costs and expenses associated therewith, but the price charged for compression, transportation, processing, and treatment shall not exceed the price that would be paid under similar circumstances in an arms-length transaction between unaffiliated parties.

(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will only receive its Royalty Fraction of any payments made for make-up gas taken pursuant to the take or-pay provision or similar provision.

(f) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 90 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor by mailing to Lessor's address its royalty on production by the last day of the second month after the month of production. If such royalties are not paid when due, Lessor's royalty will bear interest at the greater of the maximum lawful rate or eighteen percent (18%) from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute. A moving consideration and condition for Lessor's execution of this Lease are the royalties to be received under its provisions and Lessee agrees and is hereby obligated to pay or cause to be paid the royalties provided for hereunder. All sums due as royalty shall be secured by a lien on Lessor's share of all oil and gas produced from the Land and the proceeds therefrom.

(g) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of

production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

5. **Shut-in Royalty.** While there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but such well is either shut-in or gas is not being sold, Lessee shall pay or tender in advance an annual shut-in royalty equal to Fifty Dollars (\$50.00) per acre for each well from which gas is not being sold. Payment with respect to a well will be due within 60 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

6. **Continuous Drilling.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 7 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

For the purposes of this Lease, commencement of "drilling," "drilling operations" or "operations for drilling" shall be the date Lessee commences actual drilling with rotary tools of a suitable size necessary to reach the objected depth; the date of completion of a well shall be as to dry holes, the date Lessee releases the drilling rig used to drill such well or the date such rig is moved off of the location, whichever occurs first, and as to producing wells, the date Lessee has completed fracing operations and turned the well to a sales line with production having been commenced.

Upon the expiration of the primary term of this Lease or any extension thereof, this Lease shall terminate as to all depths lying one hundred feet (100') below the stratigraphic equivalent of the base of the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with all or part of the Land, provided, however if Lessee is then engaged in operations on lands pooled with the Land, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

7. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may

terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

8. Offset Wells. Lessee must completely protect the oil and gas in and under the Land, or such portions thereof as may be in force and effect from time to time, from drainage by wells on adjoining or adjacent lands or leases as a reasonably prudent operator would under the same or similar circumstances. Lessee must drill as many wells as a reasonably prudent operator would under the same or similar circumstances as are necessary and to the depth or depths necessary for complete protection against drainage from said adjacent non-pooled land or leases. Neither the royalties nor shut-in gas well rentals paid or to be paid hereunder may relieve Lessee from the obligations herein expressed, nor shall the provisions of this Paragraph relieve Lessee of any implied duties or obligations arising under this Lease.

9. Surface Operations.

(a) The Land is currently used for municipal purposes and notwithstanding anything to the contrary contained in this Lease no oil, gas or other drilling, production or transportation operations of any kind, including but not limited to the drilling, placement, or casing of any well, meter, pipeline, road or other structure shall take place or be situated upon the subject Land. No seismic operations shall be conducted upon the Land whatsoever without express written consent of Lessor. Lessee shall not be permitted any use of the surface lands for any purpose without the written consent of Lessor and Lessee shall have no rights to ingress and egress upon the surface of the Land. Notwithstanding the foregoing, nothing contained in this provision shall prohibit Lessee from locating beneath the Land the lateral component of a horizontal or directionally drilled well located on lands pooled with the Land provided that such lateral component shall not penetrate the Land at a depth of less than 500 feet below the surface.

(b) Lessee shall not have the privilege of using surface water from the Land. Water from Lessor's creeks, tanks, or wells may not be used by Lessee. If Lessor consents to the drilling of a water well by Lessee, Lessor shall have free use of water produced from the well at all times the well is not being used by Lessee. When the water well is no longer being used by Lessee, it shall tender the well and all related equipment to Lessor, free of cost.

10. Assignments. The provisions hereof shall extend to the benefit of and be binding upon the heirs, executors, administrators, successors, and assigns of the respective parties hereto. No changes or division in the ownership of the Land, rentals or royalties shall be binding upon Lessee for any purpose until Lessee has been furnished with the instrument or instruments, or copies thereof, constituting the chain of title from the original Lessors.

11. Force Majeure. If, while this lease is in force, at or after the expiration of the primary term, Lessee's drilling operations are delayed by reason of Lessee's inability to obtain fuel for operations or Lessee's inability to obtain the services of a drilling rig, or prohibition from entering the Land, then all provisions contained herein providing for the termination of this lease, in whole or in part, upon cessation of continuous drilling operations shall be extended until thirty (30) days after the removal of such delaying cause; provided, however, that Lessee must give written notice to Lessor of the existence and cause of such delay within fifteen (15) days

thereafter. This Lease and any obligation hereunder may not be extended by more than two years in the cumulative by reason of Force Majeure.

12. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. If there are royalty interests in oil and gas in the Land now owned by parties other than Lessor, Lessor makes no warranty or representation that this lease grants the Lessee the power or authority to pool such royalty interests, but in the event that pooling is permitted hereunder Lessor's royalty on production from the pooled unit shall be calculated as if Lessee had the power, and had exercised the power, to pool such royalty interests, whether or not Lessee in fact has such authority. In the event Lessee pays Lessor any bonus, royalties, or any other consideration (collectively, the "Consideration") and the Lessor ultimately does not own the Land or owns less than the interest thought to be owned by Lessor at the time of payment of the Consideration, or any portion thereof, Lessor shall not be obligated to return the Consideration, or any portion thereof, under any circumstance.

13. **Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown for each party. Any party may designate a new address by proper notice to the other party or parties.

14. **Attorney's Fees and Costs.** In the event that Lessor or Lessee is required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor or Lessee will be entitled to recover from the other reasonable attorney's fees and expenses actually incurred.

15. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000.

16. **Indemnity.** Lessee herein shall be solely responsible for full compliance with all rules and regulations of the Railroad Commission of Texas, or any other governmental agency, in all of its operation on the Land and especially including the proper plugging of any well that is to be abandoned on the Land, and does hereby indemnify and agree to hold Lessor harmless against any such rules and regulations. **LESSEE SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE INDEMNIFIED PARTIES (AS HEREINAFTER DEFINED) FROM ANY AND ALL LIABILITY, LIENS, DEMAND, JUDGMENTS, SUITS AND CLAIMS OF ANY KIND OR CHARACTER ARISING OUT OF, IN CONNECTION WITH, OR RELATING TO ANY OPERATION OR ACTIVITY CONDUCTED BY LESSEE, OR ITS AGENTS, CONTRACTORS, EMPLOYEES, LICENSEES OR**

INVITEES, ON OR UNDER THE LAND INCLUDING BUT NOT LIMITED TO CLAIMS FOR INJURY OR DEATH OF ANY PERSONS OR DAMAGE, LOSS OR DESTRUCTION OF ANY PROPERTY, REAL OR PERSONAL, UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE. LESSEE FURTHER COVENANTS AND AGREES TO DEFEND ANY SUITS BROUGHT AGAINST ANY OF THE INDEMNIFIED PARTIES ON ACCOUNT OF SAID CLAIMS AND TO PAY ANY JUDGMENTS AGAINST ANY OR ALL OF THE INDEMNIFIED PARTIES RESULTING FROM ANY SUCH SUIT OR SUITS, TOGETHER WITH ALL COSTS AND EXPENSES RELATIVE TO ANY SUCH CLAIMS, INCLUDING BUT NOT LIMITED TO ATTORNEY'S FEES. EACH OF THE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO PARTICIPATE IN THE DEFENSE OF ANY SUIT OR CLAIM IN WHICH THEY (OR ANY OF THEM) MAY BE A PARTY WITHOUT RELIEVING LESSEE OF ITS OBLIGATIONS HEREUNDER. THE FOREGOING INDEMNITY AND ALL OTHER INDEMNITIES OF LESSEE CONTAINED IN THIS LEASE SHALL SURVIVE ANY TERMINATION OF THIS LEASE AND SHALL INURE TO THE BENEFIT OF LESSOR AND EACH OF THE INDEMNIFIED PARTIES. AS USED IN THIS LEASE, THE TERM "INDEMNIFIED PARTIES" REFERS TO LESSOR AND ANY AND ALL OFFICERS, EMPLOYEES, AGENTS, TENANTS, AND INVITEES OF LESSOR.

17. Miscellaneous Provisions.

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Upon written request by Lessor, Lessee will give Lessor at least ten days prior notice in writing before conducting drilling, recompletion, or reworking operations on acreage pooled with the Land. Upon written request by Lessor, Lessee shall furnish to Lessor copies of applications to drill, plugging records, and production reports. Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

(d) The term "production" means production in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter

any provision of this Lease unless the intent to do so is expressly stated in the document. Under no circumstances may Lessee, its agents, employees, or contractors bring firearms or dogs or other animals on the Land or hunt or fish on the Land. Upon written request by Lessor, Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(e) Lessor shall have the right to inspect all records of Lessee relating to the sale and marketing of production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing.

(f) No seismic or other geophysical operations may be conducted by Lessee without Lessor's prior written approval.

(g) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(h) Upon 30 days' notice, Lessor shall have the right, no more often than once each calendar year, to call a meeting with Lessee and/or its permitted assigns to review Lessee's operations on the Land and to discuss Lessee's and/or its permitted assigns' then anticipated operations on the Land or acreage pooled therewith for the succeeding year.

(i) Notwithstanding the requirements of this Lease, Lessee covenants and agrees to comply with the minimum rules and regulations of the City of Everman (collectively the "Regulations") as presently exist or as may be required by law. In addition, Lessee acknowledges and agrees that this Lease does not constitute, and shall not contractually obligate the City Council of the City of Everman to grant a waiver or approval of any requirements set forth in the Regulations.

18. Environmental Protection Provisions.

Lessee represents, warrants, and covenants that, at all times during its possession of the Land or of any easements or areas retained under this lease:

- (1) The Land must never be used by Lessee for the generation, storage, or disposal of Hazardous Substances or as a landfill or other waste disposal site.
- (2) There must be no underground fuel storage tanks on the Land.
- (3) None of the equipment owned or used by Lessee on the Land may contain any polychlorinated biphenyls.
- (4) No Hazardous Substances or wastes exist in, on, or under the Land as a result of Lessee's operations to the best of Lessee's knowledge.

- (5) The Land is in full compliance with all Applicable Laws, as defined below, to the best of Lessee's knowledge.
- (6) There are no actions, suits, claims, or proceedings seeking money damages, injunctive relief, remedial action, or other remedy pending or threatened relating to (a) a violation or noncompliance with any Applicable Laws; (b) the disposal, discharge, or release of Hazardous Substances; or (c) exposure to Hazardous Substances or any other solid wastes, pollutants, chemical substances, noises, or vibrations to the extent the same will arise from any condition related to Lessee's ownership or use of the Land.
- (7) All necessary plans for development, applications, inspection reports, certificates, and other instruments required under any Applicable Law to be filed by Lessee in connection with the conduct of Lessee's use of the Land have been filed with the appropriate federal, state, and local governmental bodies, authorities, and agencies, and all permits, licenses, or other authorizations necessary for the lawful conduct of Lessee's use of the Land in compliance with all Applicable Laws have been obtained.
- (8) If violations of Applicable Laws with respect to the Land or Lessee's operations on the Land are found to exist, Lessor shall have the right and authority to notify any relevant public or governmental agency of the existence of such violations of Applicable Laws. Lessor shall also notify Lessee of any such violation contemporaneous with its notice to any relevant public or governmental agency.
- (9) Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause the Land to become a hazardous waste treatment, storage, or disposal facility within the meaning of, or otherwise bring the Land within the ambit of, the Resource Conservation and Recovery Act of 1976, as amended, or any similar state law or local ordinance or other environmental law.
- (10) Except for Hazardous Substances originating from the subsurface of the Land (e.g. H₂S, naturally occurring radioactive materials, and CO₂), Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause a release or threatened release of a Hazardous Substance from or to the Land within the meaning of, or otherwise bring the Land within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.
- (11) Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause the discharge of pollutants or effluents into any water source or system, or the discharge into the air of any emissions, which would require a permit under the Federal Water Pollution Control Act or the Clean Air Act, or any similar state law or local ordinance or any other environmental law.

- (12) Lessee will not permit any substance or conditions in or on the Land which might support a claim or cause of action under RCRA, CERCLA, or any other federal, state or local environmental statute, regulation, ordinance or other environmental regulatory requirement.
- (13) If Lessee determines that a threat to the environment, including but not limited to a release, discharge, spill, or deposit of a hazardous substance has occurred or is occurring which affects or threatens to affect the Land, or persons, structures, equipment, or other property adjacent thereto, Lessee must immediately verbally notify: (1) Lessor, and (2) all emergency response centers and environmental or regulatory agencies, as required by law or regulation. Lessee agrees to cooperate fully with Lessor in promptly responding to, reporting, and remedying a threat to the environment, including the drainage systems, soils, groundwater, waters, or atmosphere, in accordance with applicable law or as authorized or approved by any federal, state, or local agency having authority over environmental matters.

"Applicable Laws" shall mean and include any and all existing or future laws, statutes, rules, regulations, and judicial interpretations thereof of the United States, of any state in which the Land, or any portion thereof, is located, and of any other governmental or quasi-governmental authority having jurisdiction, that relate to the prevention, abatement, and/or elimination of pollution and/or protection of the environment, including, but not limited to, the federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation or Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act, and the Hazardous Materials Transportation Act, together with all state statutes serving any similar or related purpose. "Hazardous Substance" shall mean any substance regulated or covered by an Applicable Law except those necessary for oil and gas operations, which are subsequently removed from the Land within a reasonable period of time after necessary use in oil and gas operations.

19. **Binding on Successors and Assigns.** This Lease shall be binding on the parties hereto and their successors, assigns, heirs and legal representatives. Lessor represents and warrants that this Lease and Exhibits thereto have been approved and duly adopted by the City of Everman in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Lease with the attached Exhibits on behalf of Lessor has been authorized to do so. Lessee represents and warrants that this Lease and Exhibits thereto have been approved by appropriate action of Lessee and that the individual executing this Agreement on behalf of Lessee has been authorized to do so.

Executed on the date first written above.

LESSOR:

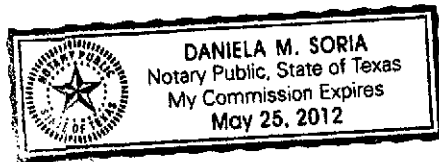
CITY OF EVERMAN

By: Jim Stephenson
Jim Stephenson, Mayor

THE STATE OF TEXAS §

COUNTY OF TARRANT §

This document was acknowledged before me on February 24, 2009, by Jim Stephenson, Mayor of the City of Everman, on behalf of said City.



D. M. Soria
Notary Public, State of Texas

LESSEE:

THUNDERBIRD OIL AND GAS, L.L.C.

By: Kerwin B. Stephens
Kerwin B. Stephens, Sole Member

THE STATE OF TEXAS §

COUNTY OF YOUNG §

This document was acknowledged before me on February 27th, 2009, by Kerwin B. Stephens, as Sole Member of Thunderbird Oil & Gas, L.L.C., on behalf of said limited liability company.



Jennifer Riggins
Notary Public, State of Texas

EXHIBIT "A"

(1) All of that 1.066 acre lot, tract or parcel of land, more or less, being Lots 1,2, and 7, Block 6, Race's Addition, an addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume, 388-E, Page 3, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Sheriff's Deed dated September 8, 1998, from David Williams, Sheriff to City of Everman, et al, filed of record at Document No. D198239239, of the Official Public Records of Tarrant County, Texas;

(2) All that certain 0.236 acre lot, tract or parcel of land, more or less, being Lot 3R, Block 1, Eureka Addition, an Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 388-164, Page 9, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated March 21, 2001, from Bankers Trust Company, as Trustee to City of Everman, filed of record at Document Number D20111316, of the Official Public Records of Tarrant County, Texas;

(3) All that certain 0.240 acre lot, tract or parcel of land, more or less, being Lot 7R, Block 1, Eureka Addition, an Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 388-164, Page 9, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated December 6, 2000, from Alliance Mortgage Company to City of Everman, filed of record at Document Number D200280271, of the Official Public Records of Tarrant County, Texas;

(4) All that certain 0.390 acre lot, tract or parcel of land, more or less, being Lot 11R, Block 2, Eureka Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 388-164, Page 9, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated December 28, 1998, from CrossLand Mortgage Corp. to City of Everman, filed of record at Document Number D198305179, of the Official Public Records of Tarrant County, Texas;

(5) All that certain 0.295 acre lot, tract or parcel of land, more or less, being Lot 12R, Block 2, Eureka Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 388-164, Page 9, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated December 28, 1998, from

Cross Land Mortgage Corp. to City of Everman, filed of record at Document Number D198305178, of the Official Public Records of Tarrant County, Texas;

(6) All of that 0.146 acre lot, tract or parcel of land, more or less, being 50' x 60' out of the Southwest corner of Lot 11, Block 5, of Baker Addition to the Town of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 1779, Page 389, of the Deed Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated August 22, 1957, from A. H. Baker and wife, Grace Baker to City of Everman, filed of record at Volume 3140, Page 309, of the Deed Records of Tarrant County, Texas; (~~1/2 OGM reserved~~) ^{KBS}

(7) All of that 0.189 acre lot, tract or parcel of land, being Lot 9, Block 6, Baker Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, and being the same tract described in that certain Sheriffs Deed dated July 7, 1992, from Sheriff of Tarrant County, Texas to the City of Everman, et al, filed of record at Volume 10749, Page 2017, of the Official Public Records of Tarrant County, Texas; (~~1/2 OGM reserved~~) ^{KBS}

(8) All of that 0.284 acre lot, tract or parcel of land, more or less, being Lot 12, Block 8, Baker Addition, Second Filing, an addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume, 388-L, Page 70, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Sheriff's Deed dated December 14, 1994, from David Williams, Sheriff Tarrant County, Texas to City of Everman, et al, filed of record at Volume 11923, Page 1761, of the Official Public Records of Tarrant County, Texas; (~~1/2 OGM reserved~~) ^{KBS}

(9) All of that 0.160 acre lot, tract or parcel of land, more or less, lying and being situated in Tarrant County, Texas, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated June 8, 1992, from Beatrice Hunter and Roger L. Stephenson to City of Everman, filed of record at Volume 10677, Page 700, of the Official Public Records of Tarrant County, Texas; (TR 18D9) (~~1/2 OGM reserved~~) ^{KBS}

(10) All of that 0.183 acre lot, tract or parcel of land, more or less, being all of Lot 4, Block 18, Forbess Addition, situated in the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the plat recorded in Volume 388, Page 33, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Constable's Deed dated December

12,2005, from Zane Hilger, Constable to City of Everman, et al, filed of record at Document No. D206099119, of the Official Public Records of Tarrant County, Texas;

(11) All of that 0.329 acre lot, tract or parcel of land, more or less, being all of Lot 2, the West one-half (1/2) of Lot 3, the North 15 feet of the West one-half (1/2) of Lot 10 and the North 15 feet of Lot 11, Block 1, R. A. Vaughn Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, together with that portion of closed alley adjacent to said lots being closed by Ordinance No. 52, recorded in Volume 3133, Page 541, and as shown by a Deed of Record in Volume 8093, Page 738, Deed Records, Tarrant County, Texas, and being the same tract described in that certain Sheriff's Deed dated December 1, 1992, from the Sheriff of Tarrant County to City of Everman, et al, filed of record at Volume 10939, Page 472, of the Official Public Records of Tarrant County, Texas; and

(12) All of that 0.453 acre lot, tract or parcel of land, more or less, being Lots 6 and Lot 7, Block 2, R. A. Vaughn Addition, City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed with Vendor's Lien dated December 29, 1994, from J. E. White to City of Everman, filed of record at Volume 11848, Page 1831, of the Official Public Records of Tarrant County, Texas;

(13) All that certain 0.155 acre lot, tract or parcel of land, more or less, being Lots 4 and 5, Block 3, Town of Everman Addition, to the Town of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated September 20, 1954, from C. J. Watts and wife, Thelma LaVerne Watts to City of Everman, Texas, filed of record at Volume 2767, Page 335, of the Deed Records of Tarrant County, Texas;

(14) All that certain 0.200 acre lot, tract or parcel of land, more or less, being Lots 8 and 9, Block 3, Town of Everman Addition, to the Town of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 106, Page 126, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated July 1, 1983, from Defense Manufacturing Co., Inc. to City of Everman, filed of record at Volume 7553, Page 1408, of the Deed Records of Tarrant County, Texas;

(15) All that certain 0.301 acre lot, tract or parcel of land, more or less, being Lots 10 and 11, Block 3, Town of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas,

according to the Plat recorded in Volume 106, Page 126, Plat Records, Tarrant County, Texas, and being described in two Deeds, (1) being a Correction Deed dated September 6, 1974, from American Legion, Department of Texas to City of Everman, filed of record at Volume 5707, Page 435, and (2) being a Warranty Deed from Everman Jaycees, Inc. to City of Everman, filed of record at Volume 5678, Page 320, of the Deed Records of Johnson County, Texas;

(16) All of that 0.502 acre lot, tract or parcel of land, more or less, being Lots 1 and 2, Block 1, Race Addition to Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Volume 388, Page 39, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed with Vendor's Lien dated April 24, 1970, from Madeline Wagner Crisman to City of Everman, filed of record in Volume 4873, Page 987, of the Deed Records of Tarrant County, Texas;

(17) All of that 0.402 acre lot, tract or parcel of land, more or less, being Lots 3 and 4, Block 1, Race Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat recorded in Volume 388, Page 39, Deed Records of Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated November 3, 1965, from Trammel Street Baptist Church, an incorporated church to City of Everman, Texas, a municipal corporation, filed of record in Volume 4140, Page 313, of the Deed Records of Tarrant County, Texas;

(18) All of that 0.201 acre lot, tract or parcel of land, more or less, being Lot 5, Block 1, Race Addition, to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Volume 388, Page 39, Deed Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated January 22, 1970, from Ann Love Foust, a widow to City of Everman, filed of record in Volume 4833, Page 253, of the Deed Records of Tarrant County, Texas;

(19) All of that 0.703 acre lot, tract or parcel of land, more or less, being Lots 6, 7 and 8, Block 1, Race Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Volume 388, Page 39, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed with Vendor's Lien dated February 25, 1988, from Charles K. McKenzie and wife, Betty H. McKenzie to City of Everman, filed of record in Volume 9216, Page 726, of the Official Public Records of Tarrant County, Texas;

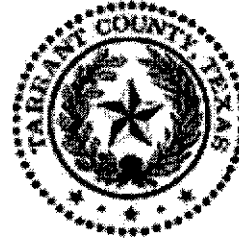
(20) All of that 0.519 acre lot, tract or parcel of land, more or less, being, being out of Block 18, of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Volume 388, Page 39, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed with Vendor's Lien dated April 3, 1969, from Mildred Warren Carrey, a widow to City of Everman, a Municipal Corporation, filed of record in Volume 4705, Page 327, of the Deed Records of Tarrant County, Texas; (TR 18-F)

(21) All of that 0.519 acre lot, tract or parcel of land, more or less, being out of Block 18, of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Volume 388, Page 39, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated August 17, 1950, from James Julius Foust and wife, Cecile Foust to City of Everman, a Municipal Corporation, filed of record in Volume 2227, Page 117, of the Deed Records of Tarrant County, Texas; (TR 18-FI)

(22) All of that 0.651 acre lot, tract or parcel of land, more or less, being Lots 1, 2 and 3, Block 2, Race Addition to the City of Everman, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, according to the Plat in Book 388, Page 39, Plat Records, Tarrant County, Texas, and being the same tract described in that certain Warranty Deed dated November 5, 1974, from B-C Company, a corporation dba Elbert Gunn Construction Company to City of Everman, filed of record in Volume 5739, Page 25, of the Deed Records of Tarrant County, Texas;

Containing 8.124 gross acres and 7.7345 net acres

END OF EXHIBIT "A"



THUNDERBIRD OIL & GAS
515 4TH ST

GRAHAM TX 76450

Submitter: THUNDERBIRD OIL & GAS

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 03/02/2009 03:56 PM
Instrument #: D209056165
LSE 18 PGS \$80.00

By: _____



D209056165

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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